

You have requested our written opinion (the "Opinion") as to the matters set forth herein. This Opinion considers the fair market value of the Stock Interest, assuming SPCC is a going-concern, as compared to the value of the Consideration.

For purposes of determining the fair market value of the Stock Interest we have solely relied on the valuation prepared by Ernst & Young, LLP ("E&Y"). A copy of such valuation is attached hereto as exhibit A and incorporated herein.

For purposes of this Opinion as it relates to the value of the Stock Interest, the term "fair market value" shall mean the price at which the Stock Interest would change hands between a willing buyer and willing seller, neither being under compulsion to buy or sell and both having a reasonable knowledge of all relevant facts.

For purposes of this Opinion as it relates to the value of the Consideration, the term "value" shall mean the reasonable equivalent of the fair consideration, as of the date of this Opinion, that a seller would accept or that a purchaser would offer in a good faith, arms length negotiation, taking into account the prevailing market conditions, practices and comparable transactions.

It is our understanding that the Company's Board of Directors and any other recipient of this Opinion will consult with and rely solely upon their own legal counsel with respect to the legal effect of said definitions. No representation is made herein, directly or indirectly, as to any legal matter or as to the sufficiency of said definitions for any purpose other than conducting a financial valuation.

The valuation analysis prepared by E&Y and this Opinion should not be construed as a fairness opinion.

Notwithstanding the use of the terms "value", "fair consideration" and "fair market value", we have not been engaged to identify prospective purchasers or to ascertain the actual price at which and terms on which the Stock Interest can currently be sold to an unaffiliated third-party. We express no opinion as to whether the Stock Interest would actually be sold to an unaffiliated third party for the amount we believe to be its fair market value.

In connection with forming our opinion with respect to the value of the Consideration, we have performed such procedures, analyses and inquiries as we have deemed necessary and appropriate under the circumstances. Among other things, we have:

1. analyzed a draft Stock Purchase Agreement, dated January 24, 2003, among AMC, SPHC II Incorporated, SPHC and the Company. We assume that there will not be any material changes contained in the final version of the Stock Purchase Agreement from the draft that we have analyzed;
2. analyzed a draft of the Credit Agreement, dated December 23, 2002, between AMC and Banco Inbursa, S.A. We assume that there will not be any material changes contained in the final version of the Credit Agreement from the draft that we have analyzed;

3. met or spoken with certain members of the senior management of AMC, Grupo Mexico, Grupo Ferroviario Mexicano S.A de C.V. ("GFM") and SPCC to discuss the operations, financial condition, future prospects and projected operations and performance of AMC, Grupo Mexico, GFM and SPCC;
4. met with representatives of the Company and the Company's counsel to discuss certain matters;
5. analyzed a valuation report of the Stock Interest prepared by E & Y dated December 31, 2002 and attached as Exhibit A, and discussed such valuation report with personnel of E&Y;
6. analyzed forecasts and projections prepared by management with respect to SPCC, Grupo Mexico, AMC, and GFM for the years ended December 31, 2003 through 2010;
7. analyzed drafts, as of January 24, 2003, of the terms and conditions of the 7 Year Note, the 8 Year Note and the Guaranty in connection with the 8 Year Note. We assume that there will not be any material changes contained in the final versions of the 7 Year Note, 8 Year Note and the Guaranty from the drafts that we have analyzed;
8. analyzed current market rates and financial criteria underlying various ratings for corporate debt securities;
9. analyzed the terms and conditions of the agreement between AMC and the Company, dated November 30, 2001, in connection with the \$41.75 million Promissory Note that will be cancelled per the Debt Cancellation;
10. conducted such other studies as we have deemed appropriate.

We have relied upon and assumed, without independent verification, that the financial forecasts and projections provided to us have been reasonably prepared and reflect the best currently available estimates of the future financial results and condition of AMC, GFM, Grupo Mexico and SPCC, and that there has been no material adverse change in the assets, financial condition, business or prospects of AMC, GFM, Grupo Mexico or SPCC since the date of the most recent financial forecasts and projections made available to us.

We have not independently verified the accuracy and completeness of the information provided to us with respect to AMC, GFM, Grupo Mexico and SPCC and do not assume any responsibility with respect to it. We have not made any physical inspection or independent appraisal of any of the properties or assets (other than the Stock Interest) of the Company, AMC, GFM, Grupo Mexico or SPCC. Our opinion is necessarily based on business, economic, market and other conditions as they exist and can be evaluated by us at the date of this letter.

Per the financial forecasts and projections provided to us, AMC will need additional funds from Grupo Mexico or its affiliates in order to meet its payment obligations under both the 7 Year Note and the 8 Year Note. The 8 Year Note is backed by the Guaranty. However, there is no written agreement between AMC and Grupo Mexico regarding the 7 Year Note. Based on inquiries made of Grupo Mexico, this Opinion assumes and is contingent upon the following: (i) Grupo Mexico having the financial ability to make such funds available to AMC with respect to both the 7 Year Note and the 8 Year Note and; (ii) Grupo Mexico, as the parent of AMC, having the present intention to make such funds available to AMC when necessary in order to permit AMC to meet such obligations.

Based upon the foregoing, and in reliance thereon, it is our opinion, as of the date of this letter that, assuming the Transaction is consummated as proposed, the value of the Consideration to be received by the Company for the Stock Interest in connection with the Transaction is greater than the fair market value of the Stock Interest as of December 31, 2002, and therefore, constitutes reasonably equivalent value and fair consideration.

This Opinion is furnished solely for your benefit and may not be relied upon by any other person without our express, prior written consent. Notwithstanding the foregoing, each of Grupo Mexico and AMC is entitled to rely on this opinion letter as though the same were addressed to it. This Opinion is delivered to each recipient subject to the conditions, scope of engagement, limitations and understandings set forth in this Opinion and our engagement letter dated August 15, 2002.

Very truly yours,

*Ernst & Young Corporate Finance LLC*

Exhibit A to  
Ernst & Young  
Corporate Finance LLC



■ Ernst & Young LLP ■

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January 21, 2003

The Board of Directors  
ASARCO Incorporated  
2575 East Camelback Road  
Phoenix, Arizona 85016

Ladies and Gentleman:

Pursuant to your request, Ernst & Young LLP ("Ernst & Young"), engaged under a subcontract agreement from Ernst & Young Corporate Finance LLC ("EYCF LLC"), has performed a valuation analysis of 43,348,949 shares (the "Stock Interest") of Class A Common Stock, par value \$0.01 per share (the "Class A Common Stock"), of Southern Peru Copper Corporation, a Delaware corporation ("SPCC" or the "Company") owned by Southern Peru Holdings Company, a Delaware corporation ("SPHC"). The Stock Interest constitutes an approximately 54.18% equity interest in the outstanding shares of capital stock of SPCC (assuming conversion of the outstanding shares of Class A Common Stock into shares of SPCC common stock, par value \$0.01 per share (the "Common Stock"), on a one-to-one basis). We understand that ASARCO Incorporated ("Asarco") and its wholly-owned subsidiary, SPHC, are considering entering into a transaction (the "Transaction") whereby SPHC will sell the Stock Interest to Asarco's parent, Americas Mining Corporation ("AMC"). We understand that, prior to the delivery of this valuation report, the parties to the Transaction had set a sale price of \$765.0 million for the Stock Interest, and we understand that the parties to the Transaction did not use this report to set such price.

The objective of our analysis was to provide a recommendation of the fair market value of the Stock Interest, based upon a valuation of SPCC as a going concern. The Date of Valuation for our analysis is December 31, 2002, and from the Date of Valuation to the date of this report, no factors, including, but not limited to, the current stock price and the current price per pound of copper, have come to our attention which would affect our analysis of the fair market value of the Stock Interest contained herein. We understand that our recommendation of fair market value will be used by management of Asarco and its affiliates and EYCF LLC solely for their determination that the Transaction price is at a reasonably equivalent value. Neither the appraisal letter nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, loan agreement or other agreement or document given to third parties without our prior written consent. Notwithstanding the foregoing, each of Grupo México, S.A. de C.V. ("Grupo Mexico") and AMC is entitled to rely on this letter as though the same were addressed to it. Furthermore, we understand that this letter will be included as an exhibit

**ERNST & YOUNG LLP**

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ASARCO Incorporated

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to EYCF LLC's "reasonably equivalent value" recommendation, and that their letter will be included as an exhibit to the Transaction's stock purchase agreement (the "Stock Purchase Agreement"), which will be included as an exhibit to the Consent Decree (the "Consent Decree") to be filed with the United States District Court for the District of Arizona (the "Court"). Furthermore, we understand that this letter will be submitted to the United States Department of Justice (the "DOJ") prior to the filing with the court of, and in connection with the negotiation with the DOJ of, the terms of the Consent Decree and the Stock Purchase Agreement. In addition, we understand that this letter will be disclosed to Asarco's affiliates, including Grupo Mexico, AMC and SPHC, in connection with the Transaction.

This analysis should not be construed as a fairness opinion or investment advice and should not be used as a basis to set a transaction price. We assume no responsibility to negotiate a purchase or sale for the buyer or seller at the recommended value.

For the purpose of this analysis, we have defined fair market value as:

*...the price at which the Stock Interest would change hands between a willing buyer and willing seller, neither being under compulsion to buy or sell and both having reasonable knowledge of all relevant facts.*

We performed certain procedures, analyses and inquiries as we have deemed necessary and appropriate, including the following:

- ◆ Interviews with Asarco and SPCC and their representatives concerning:
  - ◊ the nature and operations of the business of the Company, including the Company's historical financial performance
  - ◊ any existing business plans, future performance estimates, or budgets for the Company
  - ◊ the assumptions underlying the business plans, estimates, or budgets, as well as the risk factors that could affect planned performance;
- ◆ Analyses of corporate documents, including charter, by-laws and Agreement Among Certain Stockholders of Southern Peru Copper Corporation (the "Stockholders' Agreement");
- ◆ Analysis of research analysts' reports related to SPCC, its competitors, and the copper market;
- ◆ Analysis of the industry, as well as the economic and competitive environments in which the Company operates, including copper prices;
- ◆ Analysis of the performance and market position of the Company relative to its competitors and/or similar publicly-traded companies;

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- ◆ Analysis of financial data of similar publicly traded companies to develop appropriate valuation multiples;
- ◆ Analysis of various mining transactions to estimate a range of control premiums (as applicable);
- ◆ Valuation analysis of the Company considering applicable valuation methodologies including:
  - ◊ Discounted Cash Flow
  - ◊ Guideline Company
  - ◊ Similar Transactions;
- ◆ Preparation of this letter, outlining our recommendation of fair market value and the methodologies employed in the analysis.

Our valuation analysis and recommendation of fair market value were based on historical and prospective information and financial data provided by Asarco and SPCC. We did not independently investigate or otherwise verify the data provided and do not express an opinion or offer any form of assurance regarding its accuracy or completeness. We understand that any prospective financial information provided is based on expectations of competitive and economic environments as they may impact the future operations of the Company, and that management of Asarco and SPCC has consistently applied key assumptions during the estimation period and has not omitted any factors that may be relevant. In addition, Asarco and SPCC and their representatives understand that any such omissions or misstatements may materially affect our valuation analysis.

As of October 31, 2002, SPCC has 80,008,420 shares outstanding in two classes of stock. There are 65,900,833 shares of Class A Common Stock outstanding, owned by three major shareholders: SPHC, which owns 43,348,949 shares, representing a 54.18% equity interest in SPCC; Cerro Trading Company, which owns 11,378,088 shares, representing a 14.22% equity interest in SPCC; and Phelps Dodge, which owns 11,173,796 shares, representing a 13.97% equity interest in SPCC (in each case assuming conversion of all shares of Class A Common Stock into Common Stock on a one-to-one basis). Class A Common Stock is convertible on a one-to-one basis into Common Stock. In certain circumstances in a combined vote of Class A Common Stock and Common Stock of SPCC, each share of Class A Common Stock counts as 5 shares of Common Stock. The Stock Interest represents a 63.08% voting interest in such a combined vote. There are 14,107,587 shares of Common Stock outstanding, representing 17.63% of the total shares outstanding (assuming conversion of all shares of Class A Common Stock into Common Stock on a one-to-one basis). Shares of Common Stock trade on the NYSE under the ticker symbol "PCU".

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SPCC is an integrated producer of copper that operates mining, smelting, and refining facilities in Peru and is one of the 10 largest copper producers in the world. The Company primarily operates two copper mines, the Toquepala and Cuajone, Peru, and a copper smelter and refinery at Ilo, Peru.

#### Valuation Methodology

In the valuation of a controlling interest in a public company, such as the Stock Interest, where the public company is being valued as a "going concern," three general approaches are considered in the determination of value: the Income Approach, the Market Approach, and the Cost Approach. The nature and characteristics of the business and the objective of the engagement indicate which approach, or approaches, are most applicable for valuation purposes.

The *Income Approach*, which most commonly incorporates the use of the Discounted Cash Flow Method, focuses on the income-producing capability of the business enterprise by incorporating the specific operating characteristics of the subject company in a prospective analysis. Additionally, an assessment is made of an appropriate risk adjusted discount rate to apply to estimates of cash flow.

Two commonly-applied methodologies in the *Market Approach* to value are the Guideline Company and the Similar Transactions Methods. The Guideline Company Method focuses on comparing the subject company's risk profile and growth prospects to selected reasonably similar (or "guideline") publicly-traded companies. In the Similar Transactions Method, consideration is given to prices paid in recent transactions that have occurred in the subject company's industry or in related industries.

In the *Cost Approach* to value, also referred to as the Adjusted Net Assets Method, a valuation analysis is performed for a company's identified fixed, financial, and other assets. The derived aggregate value of these assets is then "netted" against the estimated value of all existing and potential liabilities, resulting in an indication of the value of the shareholders' equity.

For purposes of the valuation of SPCC as a going concern, the Income and Market Approaches to value were applied to arrive at a recommendation of fair market value of SPCC as a going concern. Specifically, the Income Approach incorporated the use of the Discounted Cash Flow Method, whereas the Market Approach incorporated the use of the Guideline Company Method. In each case, these Approaches provided a value indication for the entire Company. We multiplied these value indications by SPHC's 54.18% interest to determine the value of the Stock Interest. In addition, we performed a search for relevant merger and acquisition activity (Similar Transactions Method). We also considered the public trading price of SPCC Common Stock as a means of validating the indications of value derived through the Discounted Cash Flow and Guideline Company Methods.

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It should be noted that we have based our analysis on the most recently available historical data for SPCC (November 30, 2002).

Exhibit B presents the selected income statement data, balance sheet data, and the valuation assumptions used to develop the Company's estimated debt-free cash flow available for distribution. An important assumption used in this analysis was a copper price per pound of \$0.80 in 2003 and \$0.85 throughout the remainder of the estimation period. In addition, we also applied a discount rate of 9% and a terminal growth rate of 3%.

Exhibit D presents the Guideline Company Method in which the multiples derived from the guideline companies were applied to the operating data for SPCC to arrive at an indication of value.

In the Guideline Company Method, we selected companies we believed to be similar to SPCC. We selected companies based on: (i) business description, (ii) SIC code and primary industry, (iii) sources of revenue, and (iv) size of operation based on revenues generated. Based on the above criteria, we selected the following companies: Phelps Dodge Corp.; Freeport McMoran Copper; Teck Cominco Ltd.; Inco Ltd.; Noranda, Inc.; Falconbridge Ltd.; and Antofagasta PLC.

We also considered the Similar Transactions Method; however, we did not give weight to this analysis as part of our overall value recommendation, as the publicly available data was incomplete and not considered reasonably comparable to derive a meaningful value indication.

Although considered, the Cost Approach was not utilized in the analysis because it does not appropriately reflect the value of the assets based on future earnings or cash flow. The Cost Approach more appropriately produces a value that considers an orderly liquidation scenario, rather than a value as a going concern. While our value indication, using both the Income and Market Approaches, is slightly below book value (similar to certain of the comparable companies), an orderly liquidation of the assets was estimated to have a value less than these value indications, thus indicating that an owner of the Stock Interest would not pursue a strategy of asset liquidation to maximize value.

**ERNST & YOUNG LLP**

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**Value Recommendation**

Based on our analysis, the recommended fair market value (rounded) as of December 31, 2002, of the Stock Interest<sup>1</sup> is reasonably represented as:

**SIX HUNDRED FORTY MILLION DOLLARS**

**OR**

**\$640,000,000**

Please refer to Exhibits A – G for more detail. We appreciate having been given the opportunity to provide Ernst & Young's valuation services to Ernst & Young Corporate Finance LLC and ASARCO Incorporated. Our valuation is subject to the attached statement of limiting conditions and certification. If you have any questions or require additional information please contact Tony Aaron at (213) 977-3364, David Uebelhake at (213) 977-3223 or Mike Tully at (213) 977-3527.

Very truly yours,

*Ernst & Young LLP*

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<sup>1</sup> SPHC owns 43,348,949 shares of Class A Common Stock. SPCC has 80,008,420 shares outstanding (assuming conversion of all shares of Class A Common Stock on a one-to-one basis).

## Certification

### Asarco Incorporated

The undersigned hereby certify that the members of our engagement team have no direct or indirect financial interest in the property that is the subject of this engagement. In addition, the members of our engagement team have no direct or indirect personal interest with respect to the parties involved in the engagement (other than that Ernst & Young Corporate Finance LLC is a wholly-owned subsidiary of Ernst & Young LLP). Furthermore, none of the undersigned individuals have personally visited the subject company and/or subject assets; neither our employment nor our compensation in connection with the letter is in any way contingent on the recommendations reached or values estimated; this letter sets forth all of the assumptions and limiting conditions affecting the analysis, values, and recommendations contained herein; this letter is intended to have been prepared in conformity with, and is subject to, the requirements of the Principles of Appraisal Practice and Code of Ethics of and the Business Valuation Standards of the American Society of Appraisers ("ASA"); this letter is intended to have been prepared in conformity with the Code of Ethics and Standards of Professional Conduct of the Association for Investment Management and Research ("AIMR"); this letter is intended to have been prepared in conformity with the Uniform Standards of Professional Appraisal Practice ("USPAP") as set forth by the Appraisal Standards Board ("ASB") of the Appraisal Foundation; all Senior Members, Fellows, and Life Members of the ASA who have participated in the preparation of this letter are either in compliance with the mandatory recertification requirements of the ASA or are exempt from those requirements; no person other than the undersigned or those acknowledged in the letter prepared the analysis, values, or recommendations set forth in this letter; and, to the best of our knowledge and belief, the statements of fact contained in this letter are true and correct.

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Michael W. Tully, CFA, ASA  
 Senior Manager  
 Ernst & Young LLP  
 Accredited Senior Appraiser  
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 Business Valuation

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 Accredited Senior Appraiser  
 Ernst & Young LLP  
 American Society of Appraisers  
 Business Valuation

## Statement of Limiting Conditions

1. Nothing has come to our attention to cause us to believe that the facts and data set forth in this letter are not correct.
2. Provision of valuation recommendations and considerations of the issues described herein are areas of regular valuation practice for which we believe that we have, and hold ourselves out to the public as having, substantial knowledge and experience. The services provided are limited to such knowledge and experience and do not represent audit, advisory or tax-related services that may otherwise be provided by Ernst & Young LLP.
3. No investigation of the title to the Stock Interest has been made, and the owner's claim to the Stock Interest is assumed to be valid. No responsibility is assumed for matters of a legal nature, including liens or encumbrances which may be against the Stock Interest, except as specifically stated in the letter. Notwithstanding the foregoing, each of Grupo Mexico and AMC is entitled to rely on this letter as though the same were addressed to it. Furthermore, we understand that this letter will be included as an exhibit to EYCF LLC's "reasonably equivalent value" recommendation, and that their letter will be included as an exhibit to the Stock Purchase Agreement, which will be included as an exhibit to the Consent Decree to be filed with the Court. Furthermore, we understand that this letter will be submitted to the DOJ prior to the filing with the court of, and in connection with the negotiation with the DOJ of, the terms of the Consent Decree and the Stock Purchase Agreement. Furthermore, we understand that this letter will be disclosed to Asarco's affiliates, including Grupo Mexico, AMC and SPHC, in connection with the Transaction.
4. This letter has been prepared solely for the purpose stated, and should not be used for any other purpose. Neither this letter nor any portions thereof shall be copied or disseminated through advertising, public relations, news, sales, Securities and Exchange Commission disclosure documents or any other public (or private) media without the express written approval of Ernst & Young LLP.
5. The value recommendation contained herein is not intended to represent the value of the Stock Interest at any time other than the effective date that is specifically stated in this letter; however, from the Date of Valuation to the date of this report, no factors, including, but not limited to, the current stock price and the current price per pound of copper, have come to our attention which would affect our analysis of the fair market value of the Stock Interest contained herein. Changes in market conditions could result in a current value recommendation substantially different than those presented at the stated effective date. We assume no responsibility for changes in market conditions or for the inability of the owner to locate a purchaser of the Stock Interest at the value stated herein.

6. No responsibility is assumed for information furnished by others (including management), and such information is believed to be reliable.
7. In the course of our analysis, we were provided by the management of Asarco and SPCC with written information, oral information, and/or data in electronic form (e.g., computer diskettes), related to the structure, operation, and financial performance of the subject company. We have relied upon this information in our analyses and in the preparation of this letter, and have not independently verified its accuracy or completeness.
8. Certain historical financial data used in our valuation engagement were derived from audited and unaudited financial statements of SPCC and are the responsibility of management of Asarco and SPCC. The financial statements include disclosures required by generally accepted accounting principles. Those disclosures required are not repeated herein, and those who are not informed about such matters should refer to the audited financial statements. In addition, certain historical financial data used in our valuation engagement were provided by management of Asarco and SPCC and are unaudited. We have not independently verified the accuracy or completeness of the data provided and do not express an opinion or offer any form of assurance regarding its accuracy or completeness.
9. The estimates of cash flow data of SPCC provided by management of Asarco and SPCC, and included herein, are solely for use in the valuation analysis and are not intended for use as forecasts or projections of future operations. We have not performed an examination or compilation of the accompanying cash flow data in accordance with standards prescribed by the American Institute of Certified Public Accountants, and, accordingly, do not express an opinion or offer any form of assurance on the accompanying cash flow data or their underlying assumptions. Furthermore, there will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.
10. Our letter assumes full compliance with all applicable federal, state and local zoning, usage, environmental and similar laws and regulations, unless otherwise stated.
11. We assume no responsibility for any financial and tax reporting judgments, which are appropriately those of management of Asarco and SPCC. It is our understanding that management of Asarco and SPCC accepts the responsibility for any financial statement and tax reporting issues with respect to the assets covered by our analysis, and for the ultimate use of our analysis and letter.
12. This presentation does not comprise a Comprehensive Written Business Valuation Report as set forth in BVS-VIII, as of February 2001 by the Business Valuation Committee of the American Society of Appraisers ("ASA") and approved by the ASA Board of Governors. Segments

consisting of detailed description concerning the history and nature of the business, industry and economic outlook, and financial analysis have been omitted from this presentation.

13. Ernst & Young LLP shall not assume any responsibility for identifying structural conditions of property owned by SPCC (or its subsidiaries). No analysis will be made of the subsurface or the hazardous waste conditions, if any. Our services shall not take into consideration the possibility of the existence of toxic substances, hazardous or contaminated conditions, or underground storage tanks, nor the costs associated with remediating such substances or conditions (other than that which is already included in any historical financial information and/or projections provided to us by management of Asarco and SPCC). Ernst & Young LLP is not qualified to detect, and shall not be responsible for detecting, such substances or conditions.

## **List of Exhibits**

<b>Exhibit A</b>	Valuation Summary
<b>Exhibit B</b>	Discounted Cash Flow Method
<b>Exhibit C</b>	Discount Rate Determination
<b>Exhibit D</b>	Guideline Company Method
<b>Exhibit E</b>	SPCC Stock Price Data
<b>Exhibit F</b>	Control Premium Determination
<b>Exhibit G</b>	Historical Operating Results

**Asarco, Inc.**

Southern Peru Copper Corporation

Valuation Summary

Date of Valuation: December 31, 2002

(US\$ in 000's)

**Exhibit A.1****PRELIMINARY & SUBJECT TO CHANGE**

Selected Method	Selected Discount Rate	Indicated Equity Value	Impplied Price Per Share of Common Stock	SPHC's 54.18% interest (d) (Reounded)
Discounted Cash Flow - Equity (majority, marketable)	9.0%	\$1,169,454	\$14.62	\$633,616
Base case (d), (b)		\$1,168,681	\$14.66	\$644,033

**Guideline Company - Equity (majority, marketable) (c)**

High	\$1,168,681	\$14.66
Low	\$1,169,454	\$14.62
Average	\$1,179,067	\$14.74
Median	\$1,179,067	\$14.74
		\$633,616

**Preliminary Value Indication****\$640,000****Notes:**

(a) Base case assumes copper price of \$.80 in 2003 and \$.85 throughout the remainder of the estimation period.

(b) SPHC's interest in SPCC = 43,344,949 shares. Asarco owns an additional 145,600 shares of Common Stock that are not being sold. SPCC total shares outstanding = 94,008,420 (assuming conversion to Common Stock on a one-to-one basis).

(c) Guidelines company analysis includes a 30% control premium.

(d) Assuming conversion to Common Stock on a one-to-one basis.

**This is not a Fairness Opinion**

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**Asarcos, Inc.**  
 Southern Peru Copper Corporation  
 Shares Outstanding

## Exhibit A.2

	Percent of Total
Common stock outstanding (a)	
Class A common shares (b)	
ASARCO (SPIC)	54.18%
Cerro Trading Company	14.22%
Plaza Dodge	13.97%
Total Class A common shares	<u>82.37%</u>
Common shares outstanding	17.63%
Total shares outstanding (c)	<u>100.00%</u>
Public Float	17.61%
14,090	14,090

**Notes:**  
 (a) Common stock figures in thousands.  
 (b) Converts to Common Stock on a one-to-one basis.  
 (c) Assumes conversion to Common Stock on a one-to-one basis.

**This is not a Fairness Opinion**

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**ASARCO, INC.**

Southern Peru Copper

DCF Method--Indications of Value

Date of Valuation: December 31, 2002  
(US\$ in 000's)**Exhibit B.1**

Indicated value utilizing Constant Growth Model	Sum of cash flows, detailed periods	Present value terminal year	add: Reported cash balance (a)	Unadjusted business enterprise value	Interest bearing debt (a)	less: Indicated equity value
	\$699,793	\$621,561	\$147,100	\$1,468,454	(\$219,060)	\$1,169,454
Indicated equity value (control, marketable basis)						
SPHC's 54.18% interest						
<b>SPHC's indicated equity interest in SPCC (control, marketable basis) (rounded)</b>						
<b>SPHC's indicated equity interest per share (control, marketable basis) (b)</b>						
<b>\$633,616</b>						
<b>\$633,600</b>						
<b>\$14.62</b>						

Notes:

(a) As of November 30, 2002.  
 (b) Number of SPHC shares outstanding (000's): 43,349 (Converts to Common Stock on a one-to-one basis)  
 Total number of shares outstanding (000's) 80,008 (Assumes conversion to Common Stock on a one-to-one basis)  
 Source: Asarco and Southern Peru Copper Corporation. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**ASARCO, INC.**

**Southern Peru Copper**  
**DCF Method--Derivation of Cash Flows**  
**Date of Valuation: December 31, 2002**  
**(US\$ in 000's)**

	For the latest twelve months ended		For the twelve months periods ending December 31,	
	2003	2004	2005	2006
Revenue	\$741,448	\$805,880	\$809,624	\$1,069,560
Cost of sales	420,862	424,191	424,556	\$1,132,161
Gross margin	320,586	381,689	385,068	750,333
Administrative expenses	28,304	28,300	28,300	329,092
Exploration	8,261	7,000	7,000	28,300
EBITDA	182,448	285,286	346,389	349,768
Depreciation, depletion and amortization expense	70,285	84,800	88,500	89,900
Other expense (income)	112,123	200,486	257,889	259,868
EBIT	4,152	0	0	181,592
Tax expense (a)	107,971	200,486	257,889	259,868
Earnings before taxes	31,142	60,146	77,367	181,592
Debt-free net earnings	\$76,329	140,340	180,522	181,938
Add: Depreciation, depletion and amortization				124,228
Add/(Less): Changes in debt-free net working capital (less cash)				234,228
Less: Capital expenditures				70,268
Debt-free cash flow available for distribution				61,814
Present value factor @ 9.0%				144,232
Present value--debt-free cash flow				112,300
<b>Sum of present values</b>	<b>\$699,993</b>			<b>110,500</b>

*Notes:*  
 EBITDA = Earnings before interest, taxes, depreciation, and amortization, EBIT = Earnings before interest and taxes.  
 (a) Tax rate = 30% of earnings before taxes.

Source: Asarco and Southern Peru Copper Corporation. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

# ASARCO, INC.

Southern Peru Copper

DCF Method—Derivation of Cash Flows

Date of Valuation: December 31, 2002  
(US\$ in 000's)

## Exhibit B.2 (Con't)

For the twelve month periods ending December 31,									
	2011	2012	2013	2014	2015	2016	2017	2017	2018
Revenue	\$1,092,648	\$1,046,356	\$1,082,137	\$1,089,085	\$1,084,488	\$1,041,486	\$1,061,333	\$1,061,333	\$1,061,333
Cost of sales	716,069	681,927	729,784	745,968	747,428	722,646	740,477	741,473	741,473
Gross margin	376,579	362,429	352,353	343,117	337,060	318,840	321,356	320,680	320,680
Administrative expenses	28,380	28,300	28,300	28,300	28,300	28,300	28,300	28,300	28,300
Exploration	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
EBITDA	341,279	321,129	317,053	307,817	301,760	283,540	286,036	283,380	283,380
Depreciation expense	95,300	97,000	90,400	81,100	81,100	82,000	80,300	77,200	77,200
Other expense (income)	245,979	230,129	226,633	226,717	220,660	201,540	205,756	208,180	208,180
Tax expense (a)	245,979	230,129	226,633	226,717	220,660	201,540	205,756	208,180	208,180
73,794	69,039	67,906	68,015	66,198	60,462	61,127	61,127	62,454	62,454
172,185	161,090	158,657	158,402	154,462	141,078	144,029	144,029	143,726	143,726
Earnings before taxes									
Debt-free net earnings									
Add: Depreciation and amortization	95,300	97,000	90,400	81,100	81,100	82,000	80,300	77,200	77,200
Add/(Less): Changes in debt-free net working capital	6,600	(3,961)	5,100	4,600	4,600	700	6,800	3,700	3,700
Less: Capital expenditures	(89,260)	(85,560)	(93,500)	(93,500)	(112,640)	(101,640)	(88,060)	(88,060)	(88,060)
Debt-free cash flow available for distribution	184,885	164,290	154,957	145,402	127,562	122,178	143,129	138,626	138,626
Present value factor @ 9.01%	0.4410	0.4046	0.3712	0.3405	0.3124	0.2866	0.2630	0.2630	0.2630
Present value—debt-free cash flow	\$89,874	\$71,454	\$62,695	\$53,972	\$33,440	\$38,171	\$41,025	\$36,451	\$36,451

### Notes:

EBITDA = Earnings before interest, taxes, depreciation, and amortization; EBIT = Earnings before interest and taxes.  
(a) Tax rate ~ 30% of earnings before taxes.

Source: Asarcos and Southern Peru Copper Corporation. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**ASARCO, INC.**

Southern Peru Copper

DCF Method--Calculation of Normalized Debt-Free Cash Flow

Date of Valuation: December 31, 2002

(US\$ in 000's)

**Exhibit B.3**

<u>Normalized Debt-Free Cash Flow</u>		<u>Data</u>
EBITDA (a)		\$285,380
Less: Depreciation, depletion and amortization (normalized)		88,000
Earnings before interest and taxes, adjusted		<u>197,380</u>
Other expense (income)		0
	Earnings before taxes	197,380
Tax expense		
	Subtotal, debt-free net earnings	<u>59,214</u>
		<u>\$138,166</u>
Add: Depreciation, depletion and amortization		88,000
Add/(Less): Changes in debt-free net working capital		(474)
Less: Capital expenditures		(88,000)
	Debt-free cash flow available for distribution	<u>\$137,692</u>

Notes:

EBITDA = Earnings before interest, taxes, depreciation, and amortization.  
 (a) Financial data as of last period of estimation (refer to Exhibit B.2).

Source: Asarco and Southern Peru Copper Corporation. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**ASARCO, INC.**

Southern Peru Copper

DCF Method--Derivation of Terminal Year Values

Date of Valuation: December 31, 2002  
(US\$ in 000's)**Exhibit B.4**

Constant Growth Model	
Debt-free cash flow, normalized (a)	\$137,692
Terminal year growth rate	3.0%
Debt-free cash flow, year ahead	141,823
Divided by: Capitalization rate	6.0%
Capitalized value at end of estimation period	2,363,713
Discount period	15.5
Present value factor @ 9.0%	0.2630
Present value of terminal year	<b>\$621,561</b>

Notes:

EBITDA = Earnings before interest, taxes, depreciation, and amortization, EBIT = Earnings before interest and taxes.  
 (a) Financial data as of last period of estimation (refer to Exhibit B.3).

Source: Asarco and Southern Peru Copper Corporation. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**ASARCO, INC.**

Southern Peru Copper  
 DCF Method—Selected Income Statement Data (Margins)  
 Date of Valuation: December 31, 2002

**Exhibit B.5**

Common Size	For the twelve month Period ending December 31,					2009	2010
	2003	2004	2005	2006	2007		
LTM ended 11/30/0002							
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	66.8%	56.8%	52.6%	52.4%	69.2%	66.3%	67.7%
Gross margin	33.2%	43.2%	47.4%	47.6%	30.8%	33.7%	32.3%
Administrative expenses							
Exploration	4.4%	3.8%	3.5%	3.5%	2.6%	2.5%	2.5%
EBITDA	1.3%	0.9%	0.9%	0.9%	0.7%	0.6%	0.6%
Depreciation, depletion and amortization expense							
EBIT	10.6%	11.4%	11.0%	11.1%	10.5%	9.9%	10.1%
	17.0%	27.0%	32.0%	32.1%	17.0%	20.7%	18.9%
Other expense (income)							
Earnings before taxes	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	16.3%	27.0%	32.0%	32.1%	17.0%	20.7%	18.9%
Tax expense (a)							
Debt-free net earnings	4.7%	8.1%	9.6%	9.6%	5.1%	6.2%	5.7%
	11.6%	18.9%	22.4%	22.5%	11.9%	14.5%	13.2%

**Notes:**

EBITDA = Earnings before interest, taxes, depreciation, and amortization; EBIT = Earnings before interest and taxes; LTM = latest twelve months.

(a) Tax rate = 30% of earnings before taxes.

Source: Asarco and Southern Peru Copper Corporation. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**ASARCO, INC.**

Southern Peru Copper

DCF Method--Selected Income Statement Data (Margins)

Date of Valuation: December 31, 2002

**Exhibit B.5 (Con't)**

Common Size	For the twelve month periods ending December 31,					
	2011	2012	2013	2014	2015	2016
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	63.3%	65.4%	67.4%	68.5%	68.9%	69.4%
Gross margin	34.9%	34.6%	32.6%	31.5%	31.1%	30.6%
Administrative expenses						
Exploration	2.6%	2.7%	2.6%	2.6%	2.6%	2.7%
EBITDA	0.6%	0.7%	0.6%	0.6%	0.6%	0.7%
Depreciation, depletion and amortization expense	31.2%	31.3%	29.3%	28.3%	27.8%	27.2%
EBIT	8.7%	9.3%	8.4%	7.4%	7.5%	7.9%
Other expense (income)	22.5%	22.0%	20.9%	20.8%	20.3%	19.4%
Earnings before taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax expense (a)	22.5%	22.0%	20.9%	20.8%	20.3%	19.4%
Debt-free net earnings	6.8%	6.6%	6.3%	6.2%	6.1%	5.8%
	13.8%	13.4%	14.7%	14.6%	14.2%	13.5%
						13.7%

**Notes:**

EBITDA = Earnings before interest, taxes, depreciation, and amortization; EBIT = Earnings before interest and taxes.

(a) Tax rate = 30% of earnings before taxes.

Source: Asarco and Southern Peru Copper Corporation. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**ASARCO, INC.**

Southern Peru Copper

DCF Method--Selected Income Statement Data (Growth Rates)

Date of Valuation: December 31, 2002

**Exhibit B.6**

Year-to-Year Growth Rates	LTM ended 11/30/2002	For the twelve month periods ending December 31,					
		2003	2004	2005	2006	2007	2008
Revenue		12.2%	8.7%	0.5%	32.1%	5.9%	-3.7%
Cost of sales		-4.6%	0.8%	0.1%	74.4%	1.3%	-1.6%
Gross margin		46.1%	19.1%	0.9%	-14.5%	16.0%	-7.9%
Administrative expenses							
Exploration							
Depreciation, depletion and amortization expenses							
EBITDA							
EBIT							
Other expense (income)							
Earnings before taxes							
Tax expense (a)							
Debt-free net earnings							
<b>Compound Annual Growth Rates (2003-2018)</b>							
Revenue		2.4%					
EBITDA		0.0%					
EBIT		0.3%					
Debt-free net earnings		0.3%					

**Notes:**

naft = not meaningful

EBITDA = Earnings before interest, taxes, depreciation, and amortization; EBIT = Earnings before interest and taxes

(a) Tax rate = 30% of earnings before taxes.

Source: Asarco and Southern Peru Copper Corporation. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**ASARCO, INC.**

**Southern Peru Copper**  
**DCF Method—Selected Income Statement Data (Growth Rates)**  
**Date of Valuation: December 31, 2002**

**Exhibit B.6 (Cont'd)**

		For the twelve month periods ending December 31.							
		2011	2012	2013	2014	2015	2016	2017	2018
Revenue		-0.8%	-4.2%	3.4%	0.6%	-0.4%	-4.0%	2.0%	0.0%
Cost of sales		-2.2%	-4.5%	6.7%	2.2%	0.2%	-3.3%	2.5%	0.1%
Gross margin		2.1%	-3.8%	-2.8%	-2.6%	-1.8%	-5.4%	0.8%	-0.2%
Administrative expenses		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Exploration		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA		2.3%	-4.1%	-3.1%	-2.9%	-2.0%	-6.0%	0.9%	-0.2%
Depreciation, depletion and amortization expense		-3.4%	1.8%	-6.8%	-10.3%	0.0%	1.1%	-2.1%	-3.9%
EBIT		4.7%	-6.4%	-1.5%	0.0%	-2.7%	-8.7%	2.1%	1.2%
Other expense (income)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes		4.7%	-6.4%	-1.5%	0.0%	-2.7%	-8.7%	2.1%	1.2%
Tax expense (a)		4.7%	-6.4%	-1.5%	0.0%	-2.7%	-8.7%	2.1%	1.2%
Debt-free net earnings		4.7%	-6.4%	-1.5%	0.0%	-2.7%	-8.7%	2.1%	1.2%

**Notes:**

(a) not meaningful  
 EBITDA = earnings before interest, taxes, depreciation, and amortization; EBIT = earnings before interest and taxes.

(b) Tax rate = 30% of earnings before taxes.

Source: Asarcos and Southern Peru Copper Corporation. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**ASARCO, INC.**

Southern Peru Copper

DCF Method—Selected Balance Sheet Assumptions (Non-Cash Charges and Capital Expenditures)

Date of Valuation: December 31, 2002  
(US\$ in 000's \$)**Exhibit B.7**

Depreciation and Capital Expenditures		For the twelve month periods ending December 31,							
		2003	2004	2005	2006	2007	2008	2009	2010
Beginning depreciable existing fixed assets		\$1,430,300	\$1,549,600	\$1,811,600	\$2,015,200	\$2,186,400	\$2,193,000	\$2,196,100	\$2,204,400
Capital additions		\$204,100	\$350,500	\$293,500	\$213,400	\$118,900	\$113,600	\$113,700	\$113,300
Total depreciation, depletion and amortization		\$84,800	\$88,500	\$89,900	\$112,200	\$112,300	\$110,500	\$105,400	\$98,700
Subtotal, ending depreciable fixed assets		\$1,549,600	\$1,811,600	\$2,015,200	\$2,186,400	\$2,193,000	\$2,196,100	\$2,204,400	\$2,219,000

	2003	2004	2005	2006	2007	2008	2009	2010
Total beginning net fixed assets	\$1,430,300	\$1,549,600	\$1,811,600	\$2,015,200	\$2,186,400	\$2,193,000	\$2,196,100	\$2,204,400
Total capital additions	\$204,100	\$350,500	\$293,500	\$213,400	\$118,900	\$113,600	\$113,700	\$113,300
Total depreciation	\$84,800	\$88,500	\$89,900	\$112,200	\$112,300	\$110,500	\$105,400	\$98,700
Total ending net fixed assets	\$1,549,600	\$1,811,600	\$2,015,200	\$2,186,400	\$2,193,000	\$2,196,100	\$2,204,400	\$2,219,000
Total average net fixed assets	\$1,489,950	\$1,680,600	\$1,913,400	\$2,100,800	\$2,189,000	\$2,194,550	\$2,206,250	\$2,211,700
Total average net fixed asset turnover (times)	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5

Total beginning net fixed assets

Total capital additions

Total depreciation

Total ending net fixed assets

Total average net fixed assets

Total average net fixed asset turnover (times)

Notes:

Source: Asarco and Southern Peru Copper Corporation. Some totals may not add due to rounding. See Statement of Limiting Conditions.

This is not a Fairness Opinion

**ASARCO, INC.**

Southern Peru Copper

DCF Method—Selected Balance Sheet Assumptions (Non-Cash Charges and Capital Expenditures)

Date of Valuation: December 31, 2002

(USS in 000's)

**Exhibit B.7 (Con't)**

Depreciation and Capital Expenditures	2011	2012	2013	2014	2015	2016	2017	2018
Beginning depreciable existing fixed assets	\$2,222,129	\$2,216,029	\$2,208,929	\$2,213,429	\$2,231,829	\$2,263,329	\$2,282,929	\$2,290,629
Capital additions	\$89,200	\$89,900	\$94,900	\$95,500	\$112,600	\$101,600	\$88,000	\$88,000
Total depreciation, depletion and amortization	\$95,300	\$97,000	\$90,400	\$81,100	\$81,100	\$82,000	\$80,300	\$77,200
Subtotal, ending depreciable fixed assets	\$2,216,029	\$2,208,929	\$2,213,429	\$2,231,829	\$2,263,329	\$2,282,929	\$2,290,629	\$2,301,429

Total beginning net fixed assets	\$2,216,029	\$2,208,929	\$2,213,429	\$2,231,829	\$2,263,329	\$2,282,929	\$2,290,629	\$2,290,629
Total capital additions	\$89,200	\$89,900	\$94,900	\$99,500	\$112,600	\$101,600	\$88,000	\$88,000
Total depreciation	\$95,300	\$97,000	\$90,400	\$81,100	\$81,100	\$82,000	\$80,300	\$77,200
Total ending net fixed assets	\$2,216,029	\$2,208,929	\$2,213,429	\$2,231,829	\$2,263,329	\$2,282,929	\$2,290,629	\$2,301,429
Total average net fixed assets	\$2,219,079	\$2,212,479	\$2,211,179	\$2,222,629	\$2,247,579	\$2,273,129	\$2,286,779	\$2,296,029
Total average net fixed asset turnover (times)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5

**Notes:**

Source: Asarco and Southern Peru Copper Corporation. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**ASARCO, INC.**

Southern Peru Copper  
 DCF Method--Selected Balance Sheet Assumptions (Net Working Capital)  
 Date of Valuation: December 31, 2002  
 (US\$ in 000's)

**Exhibit B.8**

	As of 11/30/2002	For the twelve months periods ending December 31,				
		2003	2004	2005	2006	2007
Debt-Free Net Working Capital Data						
DFNWC less cash	\$57,700	\$39,800	\$35,900	\$51,700	\$106,400	\$59,500
DFNWC, % of revenue	8.7%	5.4%	4.5%	6.4%	9.3%	4.5%
Increase/(decrease) in DFNWC	-	(\$17,900)	(\$3,900)	\$15,800	\$54,700	(\$55,500)

**Notes:**  
 DFNWC = Debt-free net working capital.  
 LTM = latest twelve months.  
 n.mf = not meaningful  
 Source: Asarco and Southern Peru Copper Corporation. Same totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**ASARCO, INC.**

Southern Peru Copper  
 DCF Method—Selected Balance Sheet Assumptions (Net Working Capital and Returns)  
 Date of Valuation: December 31, 2002  
 (US\$ in 000's)

**Exhibit B.8 (Con't)**

	For the twelve month periods ending December 31,				
	2011	2012	2013	2014	2015
Debt-Free Net Working Capital Data (a)					
DFNWC less cash	\$33,600	\$37,500	\$36,700	\$31,600	\$27,000
DFNWC, % of revenue	3.1%	3.6%	3.4%	2.9%	2.5%
Increase/(decrease) in DFNWC	(\$6,600)	\$3,900	(\$800)	(\$5,100)	(\$4,600)

	2011	2012	2013	2014	2015	2016	2017	2018
DFNWC less cash	\$33,600	\$37,500	\$36,700	\$31,600	\$27,000	\$26,300	\$19,500	\$15,800
DFNWC, % of revenue	3.1%	3.6%	3.4%	2.9%	2.5%	2.5%	1.8%	1.3%
Increase/(decrease) in DFNWC	(\$6,600)	\$3,900	(\$800)	(\$5,100)	(\$4,600)	(\$700)	(\$6,800)	(\$3,700)

*Notes:*  
 DFNWC :: Debt-free net working capital.  
 n.mf = not meaningful

Source: Asarco and Southern Peru Copper Corporation. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

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## Exhibit C.1

### Discount Rate Derivation

To arrive at the present value of the debt-free cash flow available for distribution in the Discounted Cash Flow Method, an estimate of an appropriate discount rate was necessary. In our evaluation of the risk associated with the expected cash flow of SPCC, we considered the Weighted Average Cost of Capital ("WACC"). The WACC measures a company's cost of debt and equity financing weighted by the percentage of debt and percentage of equity in a company's target capital structure.

#### **General Theory**

The magnitude of the discount rate is related to the perceived risk of the investment. The concept of risk involves an investment situation which lies between complete certainty of monetary return (no risk), and complete uncertainty of monetary return (infinite risk). When an investor contemplates two investments, each having the same expected monetary return, an investor would prefer the investment bearing the least risk. Therefore, the higher the risk, the higher the expected return.

#### **Weighted Average Cost of Capital**

The WACC measures a company's cost of debt and equity financing weighted by the percentage of debt and percentage of equity in a company's target capital structure. Arithmetically, the formula for calculating the after-tax WACC is:

$$\text{After-Tax WACC} = (k_d \times (1-T) \times D/(D+E)) + (k_e \times E/(D+E))$$

where:

- $k_d$  = Cost of debt financing
- $k_e$  = Cost of equity financing
- D = Estimated market value (or book value) of debt
- E = Estimated market value of equity
- T = Assumed tax rate

*Cost of Equity*

To estimate the cost of equity financing, an adjusted version of the Capital Asset Pricing Model ("CAPM") was utilized. The CAPM measures the return required by investors given the company's risk profile. This model (as adjusted) is expressed arithmetically by the following equation:

$$k_c = r_f + (\beta \times r_{p_m}) + r_{p_s} + \alpha$$

where:

- $k_c$  = Cost of equity financing
- $r_f$  = Risk-free rate of return
- $\beta$  = Beta, a measure of the level of non-diversifiable risk associated with guideline company returns
- $r_{p_m}$  = Market equity risk premium
- $r_{p_s}$  = Small stock equity risk premium
- $\alpha$  = Unsystematic (company-specific) risk factor

Risk-Free Rate of Return

The yield to maturity on a 20-year Treasury bond was used to approximate the risk-free rate. While the longest-term maturity government bond is generally considered to be the best approximation of a risk-free rate and 30-year Treasury bonds do exist, the yield to maturity on a 20-year Treasury bond is not affected by the additional demand for 30-year bonds that arise from being the longest maturity security available. At December 31, 2002, the yield to maturity on a 20-year Treasury bond was 4.8%.<sup>1</sup>

Beta

Beta was developed from a study of the stock betas of the guideline companies. The stock betas for each of the guideline companies were those reported by Bloomberg, and were calculated using a regression analysis based on weekly data from December 31, 2000 to December 31, 2002. In order to adjust for the effect of financial leverage on each company's beta, the stock betas were first "unlevered" based on the guideline company's actual debt-to-equity ratio and then "relevered" based on the capital structure developed on the following pages. Based on these data and analyses, a (relevered) beta of .4 was considered reasonable for use in this analysis.

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<sup>1</sup>Source: Federal Reserve Bank

**Market Equity Risk Premium**

The expected return of the market in excess of the risk-free rate was estimated based on studies of actual historical stock market returns (*Stocks, Bonds Bills, and Inflation: 2001 Yearbook*, Ibbotson Associates). Based on this analysis, we concluded that an equity risk premium of 7.4% was appropriate.

**Small Stock Equity Risk Premium**

The Ibbotson study referred to above also identifies a small stock premium based on an analysis of low capitalization stocks. This premium recognizes that equity holders demand a higher return from companies that are smaller in size and total capitalization. The Ibbotson study calculates a premium referred to as the micro-capitalization equity size premium ("MCESP"). The MCESP is calculated as the difference between the actual return on "micro-capitalization" stocks (the smallest 20% of stocks on the New York Stock Exchange) and the expected CAPM return on the micro-capitalization stocks. The MCESP for the period from 1926 through 2001 was calculated in the Ibbotson study at 1.4%.

**Unsystematic (Company-Specific) Risk Factor**

As previously described, the unsystematic risk factor is intended to reflect additional risk that is not already captured in the beta or in the small stock premium. Factors which were considered in the selection of an unsystematic risk factor of 3.0% included: (i) size (ii) the risk associated with the level of competition in the marketplace, and (iii) foreign country risk.

The sum of: (i) the risk-free rate, (ii) the product of the beta coefficient and equity risk premium, (iii) the small stock risk premium, and (iv) the company-specific risk factor resulted in an after-tax cost of equity of 12.2%.

**Cost of Debt**

The pretax cost of debt was estimated based on the consideration of market debt rates for senior debt and subordinated debt, and is intended to reflect as closely as possible the actual marginal borrowing rates for SPCC.

Based on the above information and after consideration of SPCC's financial condition and borrowing capacity, a pretax cost of debt of 7.3% was considered reasonable for use in the analysis. Since interest expense is tax-deductible, the pretax cost of debt was converted to an after-tax rate using a total marginal tax rate of 30.0%. Therefore, the after-tax cost of debt was estimated at 5.1%.

**Estimated Weighted Average Cost of Capital**

The assumed proportion of debt and equity financing is an important component of the WACC calculation. In the analysis, the estimated target industry capital structure was arrived at through an

analysis of the comparable companies' capital structures and the likely borrowing constraints of SPCC. Accordingly, both factors were considered in estimating the target capital structure to be 60.0% equity and 40.0% debt. The chosen capital structure was then used to weight the cost of debt and equity financing, as described above, to arrive at the estimated WACC of approximately 9%. A detailed calculation of the WACC for SPCC is presented on the following pages.

**Asarco, Inc.****Valuation Analysis of Southern Peru Copper Corp.****Exhibit C.2**

	Book value of debt	Market value of equity	Effective tax rate	Levered beta	Unlevered Beta
	40.0%	60.0%	30.0%	--	0.3

**After-Tax Cost of Equity:**

Relevered beta using selected data for subject company

Equity risk premium (a)

Company risk premium

add: Risk free rate: return on long-term Treasury bonds (b)

Unadjusted after-tax cost of equity

add: Small company risk premium (c)

add: Unsystematic risk factor (d)

**Subtotal, after-tax cost of equity****After-Tax Cost of Debt:**

Pretax cost of debt (e)

Estimated effective tax rate

**Subtotal, after-tax cost of debt****Weighted Average Cost of Capital**

Type of Financing	% of Total	After-Tax Cost	Weighted Cost
Equity	60.0%	12.2%	7.3%
Debt	40.0%	5.1%	2.0%
	100%		9.4%
<b>Rounded</b>			<b>9%</b>

**Notes:**

(a) Source: Ibbotson Associates, SBI Valuation 2001 Yearbook.

(b) Source: Federal Reserve 20-year constant maturity bond as of December 31, 2002.

(c) Source: Ibbotson Associates, SBI Valuation 2001 Yearbook.

(d) Qualitative adjustment based on company-specific/future performance estimate factors.

(e) Source: Federal Reserve Baa rating bond as of December 31, 2002.

Source: Companies' 10Ks and 10Qs and Bloomberg. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**Asarco, Inc.**

**Weighted Average Cost of Capital**  
**Valuation Analysis of Southern Peru Copper Corp.**  
**(US\$ in 000's)**

**Exhibit C.3**

Guideline Companies	Market value of equity (a)	Total interest bearing debt	Total invested capital	Book value of debt	Market value of equity	Effective tax rate (b)	Levered beta (c)	Unlevered beta
Antofagasta Plc.	\$1,987,623	\$1,032,500	\$3,020,123	34.2%	65.8%	25.7%	0.3	0.2
Falconbridge Ltd.	2,875,192	2,045,942	4,921,134	41.6%	58.4%	30.0%	0.4	0.3
Freeport-McMoRan Copper Inc Ltd.	2,881,324	2,204,584	5,085,908	43.3%	56.7%	30.0%	0.4	0.3
Noranda Inc.	4,358,867	1,607,000	5,965,867	26.9%	73.1%	30.0%	0.9	0.7
Phelps Dodge Corp.	2,462,152	5,210,000	7,672,152	67.9%	32.1%	30.0%	0.5	0.2
Teck Cominco Ltd.	2,815,748	2,194,700	5,010,448	43.8%	56.2%	30.0%	0.8	0.5
	2,149,375	1,015,900	3,164,375	32.1%	67.9%	30.0%	0.6	0.5
Data selected for subject company		<b>Average</b>	<b>41.4%</b>	<b>58.6%</b>	<b>29.4%</b>	<b>...</b>	<b>0.4</b>	
		<b>Median</b>	<b>41.6%</b>	<b>58.4%</b>	<b>30.0%</b>	<b>...</b>	<b>0.3</b>	
<b>Data selected for subject company</b>		<b>40.0%</b>	<b>60.0%</b>	<b>30.0%</b>	<b>...</b>	<b>0.3</b>		

**Notes:**

- (a) Stock price as of December 31, 2002.
- (b) A combined effective tax rate of 30% was utilized in the event the tax rate was not meaningful.
- (c) Source: Bloomberg.

Source: Companies' 10Ks and 10Qs and Bloomberg. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**Asarco, Inc.****Guideline Company Method**

Estimation of Value (US\$ in 000's)

Date of Valuation: December 31, 2002

Based on Latest Twelve Month Data

Valuation Multiples	Selected Multiple	Souther Peru Copper Corp. Data	Indicated Enterprise Value	Less: Interest Bearing Debt(s)	Indicated Equity Value
TIC / Revenue	1.6	\$60,621	\$1,028,493	(\$299,000)	\$729,493
TIC / EBITDA	8.1	182,408	1,471,394	(299,000)	1,172,394
TIC / Debt-free net income	22.1	70,799	1,565,381	(299,000)	1,266,381
TIC / Debt-free cash flow	8.8	141,084	1,245,726	(299,000)	946,726
TIC / Total assets	0.5	1,764,900	925,247	(299,000)	626,247
MVE / Book equity	0.7	1,235,100	882,013		882,013
				Average	937,209
				Median	914,370

Selected indicated equity value (minority, marketable) (b)

Add: Premium for control @ 30%

Indicated equity value (majority, marketable)

\$914,370	274,311
	1,188,681

SPHIC's 54.18% interest

SPHIC's indicated equity interest in SPCC (control, marketable basis) (rounded)	<u>5644,000</u>
	<u>\$14,86</u>

SPHIC's indicated equity interest per share (control, marketable basis) (c)

**Notes:**

(a) As of November 30, 2002.

(b) Selected indicated equity value based on median multiples.

TIC = Total Invested Capital; MVE = Market Value of Equity; EBITDA = Earnings Before Interest, Taxes, Depreciation and amortization.

(c) Number of SPHIC shares outstanding (000's)

Total number of shares outstanding (000's)

Some totals may not add due to rounding. See Statement of Limiting Conditions. Source of information: Management of Subject Company, Bloomberg, and public filings (10K, 10Q).

**This is not a Fairness Opinion**

**Asarco, Inc.****Guideline Company Method****Calculation of Multiples****Date of Valuation: December 31, 2002****Based on 1 latest Twelve Month Data****Exhibit D.2**

Valuation Multiples	Phelps Dodge Corp.	Freeport McMoran Copper	Teck Cominco Ltd.	Imco Inc.	Noranda Inc.	Falconbridge Ltd.	Antofagasta PLC
TIC / Revenue	1.3	2.9	1.5	2.8	1.5	2.2	3.6
TIC / EBITDA	11.5	6.7	13.5	10.9	12.5	11.7	9.4
TIC / Debt-free net income	nnf	35.3	nnf	27.9	146.1	nnf	25.2
TIC / Debt-free cash flow	12.1	12.6	45.2	12.6	11.5	14.6	12.5
TIC / Total assets	0.7	1.2	0.6	0.7	0.7	1.0	1.2
MVE / Book equity	0.9	12.2	0.8	1.0	0.9	1.2	2.1
MVE / Year ahead earnings	19.5	10.8	38.6	13.9	226.9	9.4	15.7
	Range	Low	High	Average Multiple	Median Multiple	Adjustment Factor (a)	Selected Multiple (b)
TIC / Revenue	1.3	3.6	2.3	2.2	30.0%		1.6
TIC / EBITDA	6.7	13.5	10.9	11.5	30.0%		8.1
TIC / Debt-free net income	25.2	46.1	58.6	31.6	30.0%		22.1
TIC / Debt-free cash flow	11.5	45.2	17.3	12.6	30.0%		8.8
TIC / Total assets	0.6	1.2	0.9	0.7	30.0%		0.5
MVE / Book equity	0.8	12.2	2.7	1.0	30.0%		0.7
MVE / Year ahead earnings	9.4	226.9	47.8	15.7	30.0%		11.0

**Notes:**

(a) Adjustment factor is based on differences in size and foreign risk.

(b) Selected multiples are based on median multiples. Refer to narrative report for additional detail.

nnf = not meaningful

TIC = Total Invested Capital; MVE = Market Value of Equity; EBITDA = Earnings Before Interest, Taxes, Depreciation and amortization. Some totals may not add due to rounding. See Statement of Limiting Conditions. Source of information: Guideline Company 10Ks and 10Qs.

**This is not a Fairness Opinion**

## Asarco, Inc.

## Guideline Company Method

Date of Valuation: December 31, 2002

Calculation of Total Invested Capital (US\$ in 000's, except per share data)

Exhibit D.3

Guideline Company Detail	Southern Peru Copper Corp.	Phelps Dodge Corp.	Freeport McMoran Copper	Teck Cominco Ltd.	Inco Ltd.	Noranda Inc.	Falconbridge Ltd.	Autofogato PLC
Ticker symbol	PCU	PD	FCX	TECK	TO	NRD	FLTD	ANTOLN
Stock exchange	NYSE	NYSE	NYSE	TSE	NYSE	NYSE	TSE	LSE
Selected stock price (a)			\$11.65	\$11.62	\$21.22	\$14.29	\$15.12	\$10.07
52-week high	—	42.32	20.30	15.40	21.66	13.47	20.04	9.54
52-week low	—	23.69	10.48	10.00	15.30	8.28	13.40	7.45
Average daily trading volume (b)	19	1,145	1,255	720	798	23	370	132
As a percent of shares outstanding	0.1%	1.3%	0.9%	0.4%	0.4%	0.0%	0.2%	0.1%
As a percent of float (c)	0.1%	1.3%	0.9%	0.4%	0.4%	0.0%	0.2%	0.1%

## Calculation of Total Invested Capital

Selected stock price	\$31.65	\$16.78	\$11.62	\$21.22	\$14.29	\$15.12	\$10.07
Shares outstanding (000s)	88,902	143,394	184,928	163,170	238,315	177,020	197,171
Market value of equity	2,813,748	2,431,321	2,149,375	3,886,867	3,407,475	2,676,542	1,994,723
Preferred stock							
Preferred stock	2,000	450,003	0	472,000	300,000	198,650	2,900
Interest bearing debt							
Interest bearing debt	2,194,700	2,204,584	1,015,000	1,607,080	5,210,000	2,045,942	1,032,500
Total invested capital	\$5,010,448	\$5,085,908	\$3,164,375	\$5,345,867	\$8,917,475	\$4,921,134	\$3,020,123

## Notes:

(a) Stock price as of December 31, 2002. Selected stock price for Teck Cominco represents a weighted average price of the Class A and Class B common stock. Stock price for Noranda, Teck Cominco and Falconbridge are in Canadian dollars.

(b) Average daily trading volume is based on last twenty trading days.

(c) Due to lack of information, the float for Teck Cominco, Falconbridge and Autofogato are assumed to equal the shares outstanding.

Some totals may not add due to rounding. See Statement of Limiting Conditions. Source of Information: Guideline Company IURs and IURs.

This is not a Fairness Opinion

**Asarc0, Inc.****Guideline Company Method****Historical Financial Performance**

Date of Valuation: December 31, 2002

**Comparison of LTM Results****Selected Income Statement Data (US\$ in 000's)**

	Southern Peru Copper Corp.	Philipps Dodge Corp.	Freepoint Copper	Tek Connico Ltd. (b)	Imco Ltd.	Noranda Inc.(b)	Falconbridge Ltd.(b)	Autofogasta Ltd.
1 LTM period ending	11/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002
Revenue	\$660,621	\$3,727,700	\$1,751,700	\$2,059,000	\$2,096,000	\$6,127,000	\$2,217,638	\$845,600
Direct costs	441,148	3,138,500	919,020	1,744,000	1,388,000	5,235,000	1,603,120	425,800
Gross profit	219,473	589,200	832,680	345,000	708,000	892,000	609,538	419,800
Operating expenses:								
Sales and marketing	0	0	0	0	0	0	0	0
General and administrative	28,804	115,700	63,128	56,000	124,000	85,000	134,721	89,400
Research and development	8,261	38,700	5,192	54,000	38,000	92,000	54,484	8,200
Total operating expenses	37,065	154,400	68,320	110,000	162,000	177,000	189,205	97,600
Depreciation and amortization	182,408	434,800	764,360	235,000	546,000	715,000	420,333	322,200
EBITDA	70,265	435,800	258,877	191,000	259,000	717,000	369,220	121,800
Interest expense	112,123	(1,000)	505,483	44,000	287,000	(2,000)	51,113	200,400
Interest (income)	15,323	201,700	172,812	67,000	45,000	186,000	89,200	49,400
Other expense (income)	(16,875)	0	0	0	0	0	0	0
Extraordinary/non-recurring items (a)	21,027	12,100	58,627	17,000	(24,000)	(68,000)	(3,714)	38,900
EBIT	0	35,900	0	0	2,415,000	0	0	0
Interest rate	92,648	(250,700)	274,044	(40,000)	(2,149,000)	(120,000)	(34,373)	112,100
Income tax provision	33.5%	40.4%	67.7%	2.5%	31.0%	7.5%	156.2%	25.7%
Unadjusted net income	31,042	(101,400)	185,659	(1,000)	(667,000)	(9,000)	(54,385)	228,800
Adjustments to net income	61,616	(49,300)	88,385	(39,000)	(1,482,000)	(111,000)	20,012	83,300
Adjusted net income	(996)	5,783	0	(147,301)	1,664,929	0	0	0
Debt-free net income	\$60,610	(\$43,517)	\$88,385	(\$186,301)	\$182,929	(\$111,000)	\$20,012	\$83,300
add: depreciation and amortization	\$70,799	(323,398)	\$144,121	(\$120,976)	\$213,962	\$61,050	(\$31,976)	\$120,008
Debt-free cash flow	70,285	435,800	258,878	191,000	259,000	717,000	369,220	121,800
	\$141,084	\$412,402	\$402,998	\$70,024	\$472,967	\$778,050	\$337,300	\$241,800

**Notes:**

Some totals may not add due to rounding. See Statement of Limiting Conditions. Source of Information: Management of Subject Company and Guideline Company 10Ks and 10Qs.

EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization; EBIT - Earnings Before Interest and Taxes; EBT - Earnings Before Taxes.

(a) For fact, extraordinary expense includes one time asset impairment charge.

(b) Tek Connico, Noranda, and Falconbridge are in Canadian dollars.

**This is not a Fairness Opinion**

## Asarco, Inc.

Guideline Company Method  
Historical Financial Performance  
Date of Valuation: December 31, 2002  
Comparison of LTM Results  
Selected Income Statement Data

Common Size (a)	Souther Peru Copper Corp.	Pacifica Dodge Corp.	Freeport McMoran Copper	Teck Cominco Ltd.	Inco Ltd.	Noranda Int.	Falconbridge Ltd.	Autofogasta PLC
LTM period ending	1/31/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	6/30/2002
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Direct costs	66.8%	84.2%	52.5%	83.5%	66.5%	85.4%	72.5%	59.4%
Gross profit	33.2%	15.8%	47.5%	16.5%	33.8%	14.6%	27.5%	49.6%
Operating expenses:								
Sales and marketing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
General and administrative	4.4%	3.1%	3.6%	2.7%	5.9%	1.4%	6.1%	0.0%
Research and development	1.3%	1.0%	0.3%	2.6%	1.8%	1.5%	2.5%	10.6%
Total operating expenses	5.6%	4.1%	3.9%	5.3%	7.7%	2.0%	5.5%	1.0%
Depreciation and amortization	27.6%	11.7%	43.6%	11.2%	26.0%	11.7%	19.0%	11.5%
EBITDA	10.6%	11.7%	14.8%	9.1%	12.4%	11.7%	16.7%	38.1%
EBIT	17.0%	0.0%	28.9%	2.1%	13.7%	0.0%	2.3%	14.4%
Interest expense	2.3%	5.4%	9.9%	3.2%	2.1%	3.0%	4.0%	23.7%
Interest (income)	-2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.8%
Other expense (income)	3.2%	0.3%	3.3%	0.8%	-1.1%	-1.1%	-0.2%	0.0%
Extraordinary/non-recurring items	0.0%	1.0%	0.0%	0.0%	11.5%	0.0%	0.0%	4.6%
EBT	14.0%	-6.7%	15.6%	-1.9%	-102.5%	-2.0%	-1.6%	0.0%
Effective tax rate	—	—	—	—	—	—	—	—
Income tax provision	4.7%	-2.7%	10.6%	0.0%	-31.8%	-0.1%	-2.5%	3.4%
Unadjusted net income	9.3%	-4.0%	5.0%	-1.9%	-70.7%	-1.8%	0.0%	9.9%
Adjustments to net income	-0.2%	0.2%	0.0%	-7.1%	79.4%	0.0%	0.0%	0.0%
Adjusted net income	9.2%	-3.9%	5.0%	-8.9%	8.7%	-1.8%	0.0%	9.9%
Debt-free net income	10.7%	-0.6%	8.2%	5.8%	10.2%	1.0%	-1.4%	14.2%
add: depreciation and amortization	10.6%	11.7%	14.8%	9.1%	12.4%	11.7%	16.7%	14.4%
Debt-free cash flow	21.4%	11.1%	23.0%	3.4%	22.6%	12.7%	15.2%	28.6%

Notes:

Some totals may not add due to rounding. See Statement of Limiting Conditions. Source of information: Management of Subject Company and Guideline Company 10Ks and 10Qs.  
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization; EBIT - Earnings Before Interest and Taxes; EBT - Earnings Before Taxes.  
(a) Expressed as a percentage of revenue.

This is not a Fairness Opinion

**Asarco, Inc.**Guideline Company Method  
Historical Financial Performance

Date of Valuation: December 31, 2002

Comparison of LTM Results

Selected Balance Sheet Data (U.S. in '000's)

**Exhibit D6**

I. LTM period ending		Souther Peru Copper Corp.	Phelps Dodge Corp.	Freepoint Copper	McMoran	Teck Cominco Ltd. (b)	Inco Ltd.	Noranda Inc.(b)	Falconbridge Ltd.(b)	Antofagasta PLC
		1/1/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002
<b>Assets</b>										
Cash and cash equivalents	\$147,100	\$437,400	\$38,027	\$21,000	\$1,168,000	\$412,000	\$262,041	\$291,871	\$291,871	\$3,000
Accounts receivable (net)	50,100	400,500	165,959	198,000	287,000	877,000	121,000	143,000	486,595	55,700
Inventory	93,400	528,000	392,355	588,000	512,000	1,431,000				
Prepaid expenses	30,600	121,300	4,753	165,000	0	0	0	0	0	0
Other current assets	0	0	49,809	0	70,000	0	0	0	0	23,500
Total current assets	323,200	1,487,200	650,903	972,000	2,057,000	2,720,000	1,040,507	1,040,507	1,040,507	423,200
Property, plant, and equipment (net)	1,430,300	5,391,000	3,340,576	3,343,000	6,075,000	8,786,000	2,890,533	2,890,533	2,890,533	1,879,500
Other assets	11,400	436,700	213,280	625,000	204,000	401,000	124,026	124,026	124,026	185,500
<b>Total assets</b>	<b>\$1,764,900</b>	<b>\$7,314,900</b>	<b>\$4,204,759</b>	<b>\$4,940,000</b>	<b>\$8,336,000</b>	<b>\$11,907,000</b>	<b>\$5,171,286</b>	<b>\$5,171,286</b>	<b>\$2,488,200</b>	<b>\$2,488,200</b>
<b>Liabilities and Shareholders' Equity</b>										
Accounts payable	\$41,200	\$228,100	\$250,247	\$270,000	\$184,000	\$1,096,000	\$279,220	\$279,220	\$279,220	\$79,500
Accrued liabilities	77,200	0	36,495	0	277,000	0	0	0	0	0
Deferred revenue	0	0	0	0	0	0	0	0	0	0
Short-term debt	0	36,700	0	2,000	0	15,000	0	0	0	117,800
Current portion of long-term debt	0	136,400	151,837	12,000	90,000	636,000	23,426	23,426	23,426	0
Other current liabilities	0	13,500	143,994	0	183,000	0	18,826	18,826	18,826	19,700
<b>Total current liabilities</b>	<b>118,400</b>	<b>\$16,700</b>	<b>582,513</b>	<b>284,000</b>	<b>734,000</b>	<b>1,747,000</b>	<b>329,472</b>	<b>329,472</b>	<b>329,472</b>	<b>217,000</b>
Long-term debt	299,000	2,021,600	2,052,747	1,001,000	1,517,000	4,559,000	1,814,516	1,814,516	1,814,516	914,700
Deferred taxes	104,600	437,200	689,832	0	1,386,000	226,000	183,899	183,899	183,899	0
Other long-term liabilities (a)	7,800	928,300	680,062	1,126,000	889,000	1,739,000	381,642	381,642	381,642	396,000
<b>Total liabilities</b>	<b>529,800</b>	<b>4,203,800</b>	<b>4,005,214</b>	<b>2,411,000</b>	<b>4,526,000</b>	<b>8,271,000</b>	<b>2,909,529</b>	<b>2,909,529</b>	<b>2,909,529</b>	<b>1,527,700</b>
Shareholders' equity	1,235,100	3,111,100	1,991,545	2,329,000	3,810,000	3,636,000	2,261,757	2,261,757	2,261,757	960,500
Total liabilities and shareholders' equity	<b>\$1,764,900</b>	<b>\$7,314,900</b>	<b>\$4,204,759</b>	<b>\$4,940,000</b>	<b>\$8,336,000</b>	<b>\$11,907,000</b>	<b>\$2,171,286</b>	<b>\$2,171,286</b>	<b>\$2,171,286</b>	<b>\$2,488,200</b>

**Notes:**

(a) Includes minority interest  
 (b) Teck Cominco, Noranda, and Falconbridge are in Canadian dollars.  
 Some totals may not add due to rounding. See Statement of Limiting Conditions. Source of information: Management of Subject Company and Guideline Company 10-Ks and 10-Qs.

This is not a Fairness Opinion

**Asarco, Inc.**

Guideline Company Method  
 Historical Financial Performance  
 Date of Valuation: December 31, 2002  
 Comparison of LTM Results

**Selected Balance Sheet Data**

	South American Copper Corp.	Phelps Dodge Corp.	Freeport McMoran Copper	Teck Cominco Ltd.	Inco Ltd.	Noranda Inc.	Falconbridge Ltd.	Antofagasta PLC
	1/3/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002
<b>Assets</b>								
Cash and cash equivalents	8.3%	6.0%	0.9%	0.4%	14.3%	3.5%	5.1%	0.1%
Accounts receivable (net)	2.8%	5.5%	3.9%	4.0%	3.4%	7.4%	5.6%	5.1%
Inventory	5.4%	7.2%	9.3%	11.9%	6.1%	12.0%	9.4%	2.2%
Prepaid expenses	1.7%	1.7%	0.1%	3.3%	0.0%	0.0%	0.0%	0.0%
Other current assets	0.0%	0.0%	1.2%	0.0%	0.8%	0.0%	0.0%	0.0%
<b>Total current assets</b>	<b>18.3%</b>	<b>20.3%</b>	<b>15.5%</b>	<b>19.7%</b>	<b>24.7%</b>	<b>22.8%</b>	<b>20.1%</b>	<b>9.5%</b>
Property, plant, and equipment (net)	81.0%	73.7%	79.4%	67.7%	72.9%	73.8%	55.9%	17.0%
Other assets	0.5%	6.0%	5.1%	12.7%	2.4%	3.4%	75.5%	7.5%
<b>Total assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Liabilities and Shareholders' Equity</b>								
Accounts payable	2.3%	8.6%	6.0%	5.5%	2.2%	9.2%	5.4%	3.2%
Accrued liabilities	4.4%	0.0%	0.9%	0.0%	3.3%	0.0%	0.0%	0.0%
Deferred revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Short-term debt	0.6%	0.5%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
Current portion of long-term debt	0.0%	1.9%	3.6%	0.3%	1.1%	5.3%	4.5%	0.0%
Other current liabilities	0.0%	0.2%	3.4%	0.0%	2.2%	0.0%	0.4%	0.8%
<b>Total current liabilities</b>	<b>6.7%</b>	<b>11.2%</b>	<b>13.9%</b>	<b>5.7%</b>	<b>8.8%</b>	<b>14.7%</b>	<b>10.2%</b>	<b>8.7%</b>
Long-term debt	16.9%	21.6%	48.8%	20.3%	18.2%	38.3%	35.1%	36.8%
Deferred taxes	5.9%	6.0%	16.4%	0.0%	16.6%	1.9%	3.6%	0.0%
Other long-term liabilities	0.4%	12.7%	16.2%	2.8%	10.7%	14.6%	7.4%	15.9%
<b>Total liabilities</b>	<b>30.0%</b>	<b>57.5%</b>	<b>95.3%</b>	<b>46.8%</b>	<b>54.3%</b>	<b>69.3%</b>	<b>56.3%</b>	<b>61.4%</b>
Shareholders' equity	70.0%	42.5%	4.7%	51.2%	45.7%	30.5%	43.7%	38.6%
<b>Total liabilities and shareholders' equity</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**Notes:**

Some totals may not add due to rounding. See Statement of Limiting Conditions. Source of information: Management of Subject Company and Guideline Company 10Ks and 100s.

(a) Expressed as a percentage of total assets.  
 This is not a Fairness Opinion

**Asarco, Inc.****Guideline Company Method****Historical Financial Performance**

Date of Valuation: December 31, 2002

Comparison of LTM Results

**Selected Ratio and Margin Data (US\$ '000's)**

	Southern Peru Copper Corp.	Philips Dodge Corp.	Freesport McMoran Copper	Teck Cominco Ltd.(a)	Inco Ltd.	Noranda Inc.(a)	Falconbridge Ltd.(a)	Antofagasta PLC
LTM period ending	11/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002
<b>Liquidity</b>								
Current ratio	2.7	1.8	1.1	3.4	2.8	1.6	2.0	2.0
Quick ratio	1.7	1.0	0.4	0.8	2.0	0.7	1.0	0.6
Cash as a percent of current assets	45.5%	29.4%	5.8%	2.2%	57.8%	15.1%	25.2%	0.7%
Debt-free net working capital ("DFNWC")	\$204,800	\$843,600	\$220,167	\$102,000	\$1,413,000	\$1,624,000	\$742,461	324,000
DFNWC as a percent of revenue	31.0%	22.6%	12.6%	3.3%	67.4%	26.5%	33.6%	38.3%
DFNWC - less cash	\$57,700	\$406,200	\$182,140	\$681,000	\$225,000	\$1,212,000	\$480,420	\$321,000
DFNWC - less cash as a percent of revenue	8.7%	10.9%	10.4%	32.6%	10.7%	19.8%	21.7%	38.0%
<b>Asset Management</b>								
Inventory turnover	4.6	5.9	2.3	3.0	2.7	3.7	3.3	7.6
Fixed asset turnover	0.5	0.7	0.5	0.6	0.3	0.7	0.8	0.4
Total asset turnover	0.4	0.5	0.4	0.4	0.3	0.5	0.4	0.3
<b>Days inventory</b>								
Days receivables	79	61	156	123	135	100	111	47.7
Operating cycle	28	39	35	35	50	52	48	55
Days payables	107	101	190	158	185	132	159	103
Cash cycle	(34)	(73)	(99)	(57)	(48)	(76)	(64)	(68)
<b>Leverage</b>								
Total liabilities to total equity	42.9%	135.1%	2007.2%	95.3%	118.8%	227.5%	128.6%	159.1%
Interest bearing debt to total assets	16.9%	30.0%	52.4%	20.3%	19.3%	43.8%	39.6%	41.5%
L/T debt to (L/T debt + equity)	19.5%	39.4%	91.1%	28.4%	28.5%	55.6%	44.5%	48.8%
Times interest earned	7.3	(0.0)	2.9	0.7	6.4	(0.0)	0.6	4.1

**Notes:**

Some totals may not add due to rounding. See Statement of Limiting Conditions. Source of information: Management of Subject Company and Guideline Company 10Ks and 10Qs.

(a) Teck Cominco, Noranda and Falconbridge are in Canadian dollars.

**This is not a Fairness Opinion**

**Asarco, Inc.****Guideline Company Method****Historical Financial Performance**

Date of Valuation: December 31, 2002

**Comparison of LTM Results****Selected Ratio and Margin Data (US\$ 000's)**

	Southern Peru Copper Corp.	Phelps Dodge Corp.	Freepart McMoran Copper	Teck Cominco Ltd.	Inco Ltd.	Noranda Inc.	Falconbridge Ltd.	Autofagasta PLC
LTM period ending	11/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002
<b>Profitability</b>								
Gross margin	33.2%	15.8%	47.5%	16.5%	33.8%	14.6%	27.5%	49.6%
EBITDA margin	27.6%	11.7%	43.6%	11.2%	26.0%	11.7%	19.0%	38.1%
EBIT margin	17.0%	0.0%	28.9%	2.1%	13.7%	0.0%	2.3%	23.7%
EBT margin	14.0%	-6.7%	15.6%	-1.9%	-10.5%	-2.0%	-1.6%	13.3%
Debt-free net margin	10.7%	-0.6%	8.2%	-5.8%	10.2%	1.0%	-1.4%	14.2%
Debt-free cash flow margin	21.4%	11.1%	23.0%	3.4%	22.6%	12.7%	15.2%	28.6%
<b>Debt/Equity Analysis</b>								
Adjusted net income / EBT	0.7	nmf	0.3	nmf	(0.1)	nmf	(0.6)	0.7
EBT / EBIT	0.8	nmf	0.5	nmf	(7.5)	nmf	(0.7)	0.6
EBIT / sales	17.0%	0.0%	28.9%	2.1%	13.7%	0.0%	2.3%	23.7%
Sales / total assets	0.4	0.5	0.4	0.4	0.3	0.5	0.4	0.3
Total assets / total equity	1.4	2.4	21.1	2.0	2.2	3.3	2.3	2.6
Return on equity ("ROE")	4.9%	nmf	44.3%	nmf	nmf	nmf	nmf	8.7%
Return on assets ("ROA")	4.0%	-0.3%	3.4%	-2.4%	2.6%	0.5%	-0.6%	4.8%
<b>Growth (a)</b>								
Growth in sales	6.1%	13.4%	-1.3%	97.3%	-1.1%	-2.5%	-0.8%	130.0%
Growth in EBITDA	17.5%	-8.9%	-2.6%	60.0%	16.3%	-24.7%	-18.3%	431.0%
Growth in debt-free net income	33.7%	nmf	-10.0%	nmf	188.7%	nmf	nmf	95.8%
Growth in debt-free cash flow	14.3%	-4.0%	-5.1%	-78.1%	48.2%	-14.4%	-22.8%	188.0%

**Notes:**

Some totals may not add due to rounding. See Statement of Limiting Conditions. Source of information: Management of Subject Company and Guideline Company 10Ks and 10Qs.

(a) Growth represents compound annual growth.

EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization; EBIT = Earnings Before Interest and Taxes; EBT = Earnings Before Taxes; nmf = not meaningful.

**This is not a Fairness Opinion**

**Asarcô, Inc.**

Southern Peru Copper Corporation

(US\$ in 000's)

**Exhibit E**

Southern Peru Copper Corporation		Stock Price as of December 31, 2002	60 Day Average	Stock Price (b)
Stock price		\$14.40	\$14.22	\$14.22
Shares outstanding (b)		80,189,470	\$6,068,420	\$6,068,420
Market value of equity		\$1,152,121		\$1,137,720
Market value of equity (majority, marketable)		\$1,152,121		\$1,137,720
SPCC price per share (rounded)		\$14.40	\$14.22	\$14.22
SPHC's interest in SPCC (43,348,949 shares) (a)		\$4,189	\$624,225	\$616,422
SPHC's interest in SPCC (rounded) (c)		\$624,200	\$624,200	\$616,400

Notes:  
 (a) Assumes conversion to Common Stock on a one-to-one basis.  
 (b) Sixty day average Stock Price is calculated from November 1, 2002 through December 31, 2002.  
 (c) No control premium applied as we have assumed based on recent stock price movements that elements of control are currently being factored into the public stock price.

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**Asarco Inc.**

**Valuation of Southern Peru Copper Corp.**  
**Control Premium Analysis**  
**(US\$ in 000's)**

**Exhibit F.1**

Target	Acquirer	Offer price per share
AMAX Incorporated	Cyanus Minerals Company Inc	\$13.69
Magma Copper Co	Broken Hill Proprietary Co Ltd	28.00
Conwest Exploration Co Ltd	Alberta Energy Co Ltd	20.68
Thermal Exploration Co	Western Copper Holdings Ltd	0.23
Cyprus Amax Minerals Co	Phelps Dodge Corp	19.64
ASARCO Inc	Grupo Mexico SA de CV	29.75
Glenmore Highlands Inc	Mountain Province Diamonds Inc	0.34
Jascan Resources Inc	Breakwater Resources Ltd	0.63

Target	Acquirer	Price per share prior to transaction (time period prior to announcement)		
		1 day	1 week	1 month
Cyanus Minerals Company Inc	Broken Hill Proprietary Co Ltd	\$17.63	\$16.63	\$16.63
Alberta Energy Co Ltd	20.13	19.25	17.25	17.24
Western Copper Holdings Ltd	20.33	18.88	17.24	17.24
Phelps Dodge Corp	0.25	0.31	0.31	0.31
Grupo Mexico SA de CV	14.50	14.44	14.44	14.44
Mountain Province Diamonds Inc	22.19	21.31	18.75	18.75
Breakwater Resources Ltd	0.44	0.43	0.55	0.55
	0.57	0.60	0.74	0.74

Target	Acquirer	Calculation of premium		
		1 day	1 week	1 month
AMAX Incorporated	AMAX Incorporated	39.1%	+22.3%	+17.7%
Magma Copper Co	Magma Copper Co	45.5%	45.5%	62.3%
Conwest Exploration Co Ltd	Conwest Exploration Co Ltd	1.7%	9.5%	19.9%
Thermal Exploration Co	Thermal Exploration Co	-8.0%	-2.8%	0.8%
Cyprus Amax Minerals Co	Cyprus Amax Minerals Co	15.4%	35.0%	32.0%
ASARCO Inc	ASARCO Inc	34.1%	39.6%	58.2%
Glenmore Highlands Inc	Glenmore Highlands Inc	-22.7%	-26.9%	-38.2%
Jascan Resources Inc	Jascan Resources Inc	16.2%	5.0%	-14.4%

Average (a)	24.2%	27.1%	41.2%
Median (a)	14.1%	36.0%	45.3%

Notes:

(a) Negative premiums are excluded from the calculation of the median and average premiums.  
 Source of data: Mergers and Securities Database Company  
 Some totals may not add due to rounding. See Statement of Limiting Conditions.

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**Asarco, Inc.****Consolidated Historical Operating Results of SPPC—Selected Income Statement Data**  
(US\$ in 000's)**Exhibit G.1**

	For the fiscal years ended December 31,			For the LTM ended	
	1997	1998	1999	2000	11/30/02
Revenue	\$814,156	\$627,916	\$384,546	\$711,057	\$657,521
Cost of goods sold	474,385	442,206	410,134	441,476	452,648
Gross margin	339,771	185,710	174,412	269,581	204,873
Selling and marketing expense	0	0	0	0	0
General and administrative expense	48,367	49,612	47,453	34,853	30,904
Other operating expense	7,390	5,185	7,156	7,700	8,461
EBITDA	284,014	130,913	119,803	227,028	165,508
Depreciation expense	46,736	60,859	74,237	77,447	76,285
Amortization expense	0	0	0	0	0
EBIT	237,278	70,054	45,566	149,581	89,223
Interest expense	19,573	15,009	17,881	15,878	13,123
Other expense (income)	(28,000)	(25,547)	(11,450)	(5,831)	(21,648)
Earnings before taxes	245,705	80,592	39,135	139,534	71,548
Effective tax rate	22.6%	31.7%	24.9%	32.0%	33.5%
Tax expense	55,610	25,567	9,740	44,648	22,142
Minority interest (a)	4,437	461	(10)	1,969	696
Net income	\$185,658	\$54,564	\$29,405	\$92,917	\$48,710
Debt-free net income	\$200,801	\$64,812	\$42,836	\$103,714	\$75,864
add: depreciation/amortization	46,736	60,859	74,237	77,447	76,285
Debt-free gross cash flow	\$247,537	\$125,671	\$117,073	\$181,161	\$152,149
					\$141,084
					\$165,006

**Notes:**

(a) Minority interest related to labor shares in income of Peruvian Branch.

EBITDA = Earnings before interest, taxes, depreciation, and amortization; EBIT = Earnings before interest and taxes

Source: Asarco and SPPC. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**Asarco, Inc.****Consolidated Historical Operating Results of SPPCC—Selected Income Statement Data (Margins)****Exhibit G.2**

	For the fiscal years ended December 31,				For the LTM ended 11/30/02	5-fiscal year average
	1997	1998	1999	2000		
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	58.3%	70.4%	70.2%	62.1%	68.8%	66.8%
Gross margin	41.7%	29.6%	29.8%	37.9%	31.2%	33.2%
Selling and marketing expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
General and administrative expense	5.9%	7.9%	8.1%	4.9%	4.7%	4.4%
Other operating expense	0.9%	0.8%	1.2%	1.1%	1.3%	1.3%
EBITDA	34.9%	20.8%	20.5%	31.9%	25.2%	27.6%
Depreciation expense	5.7%	9.7%	12.7%	10.9%	11.6%	10.6%
Amortization expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	29.1%	11.2%	7.8%	21.0%	13.6%	17.0%
Interest expense	2.4%	2.4%	3.1%	2.2%	6.0%	2.3%
Other expense (income)	-3.4%	-4.1%	-2.0%	-0.8%	-3.3%	0.6%
Earnings before taxes	30.2%	12.8%	6.7%	19.6%	10.9%	14.0%
Effective tax rate	--	--	--	--	--	--
Tax expense	6.8%	4.1%	1.7%	6.3%	3.4%	4.7%
Minority interest (a)	0.5%					
Net income	22.8%	8.7%	5.0%	13.1%	7.4%	9.2%
Debt-free net income	24.7%	10.3%	7.3%	14.6%	11.5%	10.7%
add: depreciation/amortization	5.7%	9.7%	12.7%	10.9%	11.6%	10.6%
Debt-free gross cash flow	30.4%	20.0%	20.0%	25.5%	23.1%	21.4%

**Notes:**

EBITDA = Earnings before interest, taxes, depreciation, and amortization; EBIT = Earnings before interest and taxes

Source: Asarco and SPPCC. Some totals may not add due to rounding. See Statement of Limiting Conditions.

This is not a Fairness Opinion

**Asarco, Inc.****Consolidated Historical Operating Results of SPCCC--Selected Balance Sheet Data**  
(US\$ in 000's)**Exhibit G.3**

Assets	At December 31,			At	
	1997	1998	1999	2000	11/30/02
<b>Current Assets:</b>					
Cash and cash equivalents	\$126,491	\$175,948	\$10,596	\$149,088	\$212,857
Marketable securities	\$204,590	\$22,152	\$0	\$0	\$0
Accounts receivable	73,764	64,561	80,664	142,457	81,827
Inventory	108,683	88,951	110,171	114,931	101,030
Prepaid expenses (a)	0	0	48,099	31,014	24,794
Other current assets	66,067	58,450	19,611	4,357	6,137
Total current assets	579,595	410,062	269,141	441,847	426,645
Property and equipment, net	947,457	1,088,557	1,250,887	1,298,130	1,376,777
Long-term receivables	0	0	0	0	0
Goodwill	0	0	0	0	0
Other assets	34,278	27,218	25,425	30,581	17,995
Total assets	\$1,561,330	\$1,525,837	\$1,545,453	\$1,770,558	\$1,821,417
<b>Liabilities and Stockholders' Equity</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$47,941	\$48,497	\$58,413	\$68,157	\$53,617
Notes payable	0	0	0	0	0
Current portion of long-term debt	13,683	13,683	23,272	24,349	122,914
Accrued liabilities	0	0	0	0	0
Other current liabilities	41,495	34,816	29,472	39,884	44,422
Total current liabilities	103,119	97,016	111,157	132,380	220,953
Long-term debt	234,208	220,525	199,253	122,914	273,121
Other long-term liabilities (b)	106,980	83,373	95,130	109,144	103,867
Total liabilities	444,307	400,914	405,540	564,438	597,941
Minority interest of labor shares in Peru	19,385	16,331	13,975	14,465	14,021
Total stockholders' equity	1,097,638	1,108,592	1,125,938	1,191,655	1,235,100
Total liabilities and stockholders' equity	\$1,561,330	\$1,525,837	\$1,545,453	\$1,770,558	\$1,821,417
Total interest-bearing debt	\$247,891	\$234,208	\$222,525	\$347,253	\$396,035
					\$299,000
					\$289,582

**Notes:**

(a) Prepaid expenses consist of prepaid taxes.

(b) Other liabilities includes deferred credits, deferred income taxes and other liabilities.

Source: Asarco and SPCCC. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**Asarco, Inc.****Consolidated Historical Operating Results of SPCG-Selected Balance Sheet Data (Margins)****Exhibit G.4**

Assets	At December 31,				At 1/30/02	5-fiscal year average
	1997	1998	1999	2000		
<b>Current Assets:</b>						
Cash and cash equivalents	8.1%	11.5%	0.7%	8.4%	11.7%	8.3%
Marketable securities	13.1%	1.5%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	4.7%	4.2%	5.2%	8.0%	4.5%	2.8%
Inventory	7.0%	5.8%	7.1%	6.5%	5.5%	5.4%
Prepaid expenses (a)	0.0%	0.0%	3.1%	1.8%	5.4%	6.4%
Other current assets	4.2%	3.8%	1.3%	0.2%	1.4%	1.3%
Property and equipment, net	37.1%	26.9%	17.4%	25.0%	23.4%	18.3%
Long-term receivables	60.7%	71.3%	80.9%	73.3%	75.6%	81.0%
Goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<hr/>						
<b>Liabilities and Stockholders' Equity</b>						
<b>Current Liabilities:</b>						
Accounts payable	3.1%	3.2%	3.8%	3.8%	2.9%	2.3%
Notes payable	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current portion of long-term debt	0.9%	0.9%	1.5%	1.4%	6.7%	0.0%
Accrued liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%
Other current liabilities	2.7%	2.3%	1.9%	2.3%	2.4%	0.0%
<b>Total current liabilities</b>	<b>6.6%</b>	<b>6.4%</b>	<b>7.2%</b>	<b>7.5%</b>	<b>12.1%</b>	<b>2.3%</b>
Long-term debt	15.0%	14.5%	12.9%	18.2%	15.0%	6.7%
Other long-term liabilities (b)	6.9%	5.3%	6.2%	6.2%	16.9%	8.1%
<b>Total liabilities</b>	<b>28.5%</b>	<b>26.3%</b>	<b>26.2%</b>	<b>31.9%</b>	<b>5.7%</b>	<b>15.2%</b>
Minority interest of labor shares in Peru	1.2%	1.1%	0.9%	0.8%	32.8%	5.9%
Total stockholders' equity	70.3%	72.7%	72.9%	67.3%	0.8%	6.1%
Total liabilities and stockholders' equity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Total interest-bearing debt</b>	<b>15.9%</b>	<b>15.3%</b>	<b>14.4%</b>	<b>19.6%</b>	<b>21.7%</b>	<b>17.6%</b>

**Notes:**

Source: Asarco and SPCG. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

**Asarco, Inc.****Consolidated Historical Operating Results of SPPC—Ratio and Margin Analysis  
(USS in 000's)****Exhibit G.5**

	For the fiscal years ended December 31,				At 11/30/02	5-fiscal year average
	1997	1998	1999	2000		
<b>Liquidity and Working Capital</b>						
Current ratio	5.6	4.2	2.4	3.3	1.9	2.7
Quick ratio	3.9	2.7	0.8	2.2	1.3	1.7
Cash as % of current assets	21.8%	42.9%	3.9%	33.7%	49.9%	45.5%
Net working capital ("NWC")	\$476,476	\$313,046	\$157,984	\$309,467	\$205,692	\$204,800
NWC as a % of revenue	.38.5%	49.9%	27.0%	43.5%	31.3%	31.0%
Debt-free net working capital ("DFNWC")	\$490,159	\$326,729	\$181,256	\$333,806	\$328,606	\$204,800
DFNWC as % of revenues	60.2%	52.0%	31.0%	46.9%	50.0%	31.0%
DFNWC excluding cash	\$363,668	\$150,781	\$170,660	\$184,718	\$115,749	\$57,700
DFNWC excluding cash, as % of revenues	44.7%	24.0%	29.2%	26.0%	17.6%	8.7%
<b>Asset Management and Turnover (a)</b>						
Days receivable	—	40	45	57	62	28
Days payable	—	40	48	52	49	34
Days in inventory	—	82	89	93	87	79
Fixed asset turnover	—	0.6	0.5	0.6	0.5	0.5
Total asset turnover	—	0.4	0.4	0.4	0.4	0.4
<b>Leverage</b>						
Interest bearing debt to total assets (b)	15.9%	15.3%	14.4%	19.6%	21.7%	16.9%
Total liabilities to total assets (b)	28.5%	26.3%	26.2%	31.9%	32.8%	29.6%
Total liabilities to total equity	40.5%	36.2%	36.0%	47.4%	49.4%	42.3%
LT debt to (LT debt + book equity)	17.6%	16.6%	15.0%	21.3%	18.4%	19.5%
EBIT times interest earned	12.1	4.7	2.5	9.4	2.3	7.3
						6.2

**Notes:**

(a) Calculated using averages.  
(b) Total assets excludes goodwill.

Source: Asarco and SPPC. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**

# Asarco, Inc.

## Consolidated Historical Operating Results of SPPC—Ratio and Margin Analysis (continued)

### Exhibit G.6

Profitability	For the fiscal years ended December 31,				For the LTM ending 11/30/02	5-fiscal year average
	1997	1998	1999	2000		
Gross margin	41.7%	29.6%	29.8%	37.9%	31.2%	33.2%
EBITDA margin	34.9%	20.8%	20.5%	31.9%	25.2%	27.6%
EBIT margin	29.1%	11.2%	7.8%	21.0%	13.6%	17.0%
EBT margin	30.2%	12.8%	6.7%	19.6%	10.9%	14.0%
Net margin	22.8%	8.7%	5.0%	13.1%	7.4%	9.2%
Debt-free net margin	24.7%	10.3%	7.3%	14.6%	11.5%	10.7%
ROE (a)	--	4.9%	2.6%	8.0%	4.1%	4.9%
ROA (a)	--	4.2%	2.8%	6.3%	4.2%	4.0%
					4.4%	
Year-to-Year Growth Rates						
Revenue	--	-22.9%	-6.9%	21.6%	-7.5%	-
Cost of goods sold	--	-6.8%	-7.3%	7.6%	2.5%	-5.2%
Gross margin	--	-45.3%	-6.1%	54.6%	-24.0%	-1.2%
Selling and marketing expense	--	nav	nav	nav	nav	-11.9%
General and administrative expense	--	2.6%	-4.4%	-26.6%	-11.3%	nav
Other operating expense	--	-29.8%	38.0%	7.6%	9.9%	-10.6%
EBITDA	--	-53.9%	-8.5%	89.5%	-27.1%	3.4%
EBIT	--	-70.5%	-35.0%	228.3%	-40.4%	-12.6%
Net income	--	-70.6%	-46.1%	216.0%	-47.6%	-21.7%
Debt-free net income	--	-67.7%	-33.9%	142.1%	-26.9%	-28.4%
Debt-free gross cash flow	--	-49.2%	-6.8%	54.7%	-16.0%	-21.6%
						-11.5%

Notes:

CAGR = compound annual growth rate.

Source: Asarco and SPPC. Some totals may not add due to rounding. See Statement of Limiting Conditions.

**This is not a Fairness Opinion**